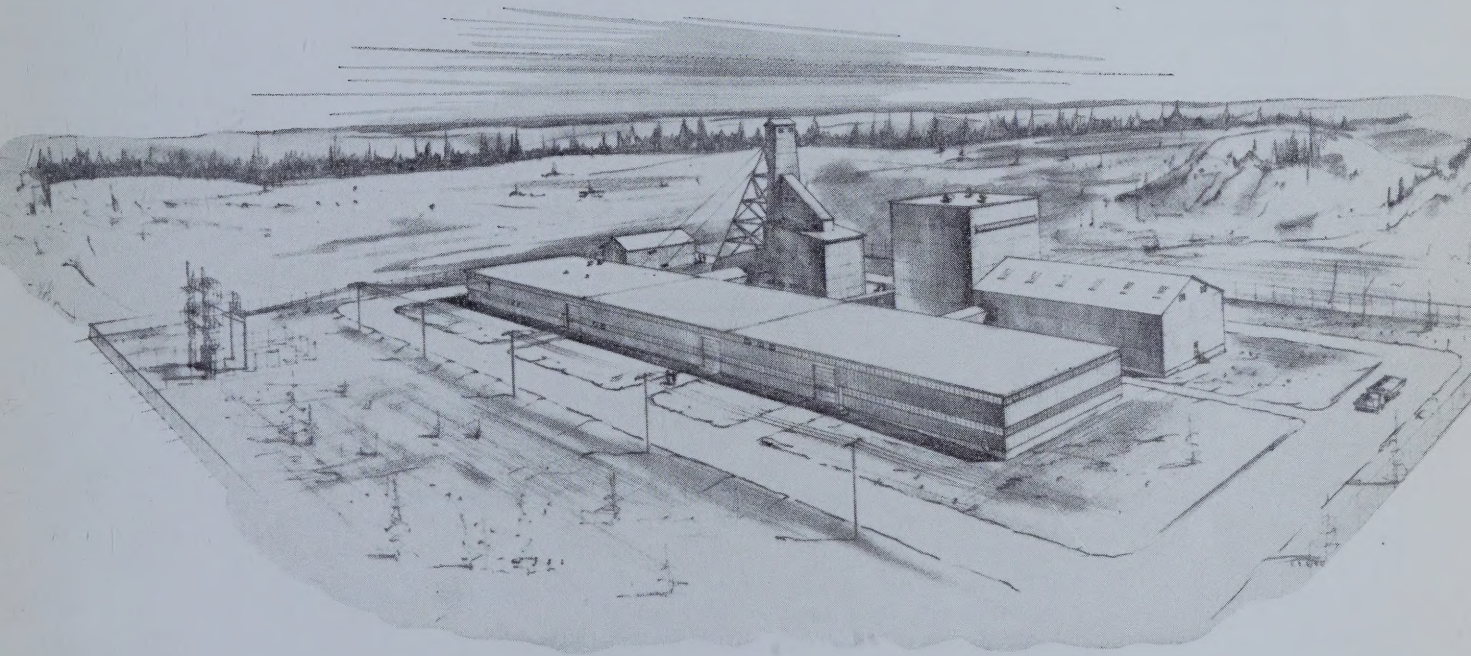


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North Coldstream Mines Limited

Annual Report



For Year Ended December 31, 1965

North Coldstream Mines Limited

OFFICERS	G. D. PATTISON, C.A. - - - - - President P. S. CROSS, B.Sc., P.Eng. - - - - - Vice-President R. D. BELL, C.A. - - - - - Secretary-Treasurer
DIRECTORS	R. D. BELL, C.A. - - - - - Toronto, Ontario P. S. CROSS, B.Sc., P.Eng. - - - - - Toronto, Ontario K. A. DAVIS - - - - - Toronto, Ontario E. T. DONALDSON - - - - - Toronto, Ontario A. B. LASH - - - - - Toronto, Ontario L. J. MOREAUX - - - - - Dearborn, Michigan G. D. PATTISON - - - - - Aurora, Ontario
MINE MANAGER	G. H. MONTGOMERY, B.Eng., P.Eng. - - - - Burchell Lake, Ontario
AUDITORS	CLARKSON, GORDON & CO. - - 15 Wellington St. W., Toronto, Ont.
REGISTRAR AND TRANSFER AGENT	EASTERN & CHARTERED TRUST COMPANY - 1901 Yonge St., Toronto, Ontario
HEAD OFFICE	SUITE 509, 25 ADELAIDE STREET WEST - - - - - Toronto, Ontario
MINE OFFICE	BURCHELL LAKE, ONTARIO
ANNUAL MEETING	Thursday, June 16, 1966, at 10:00 o'clock in the forenoon, (Toronto time), Upper Canada Room, King Edward Sheraton Hotel, Toronto, Ontario.
FRONT COVER	Architect's Drawing of Plant

North Coldstream Mines Limited

Suite 509, 25 Adelaide Street West
Toronto 1, Ontario

Directors' Report

To the Shareholders:

Submitted herewith are the financial statements of your Company for the year ended December 31, 1965 with Auditors' Report dated March 1, 1966.

Also submitted for your information is the report of Kerr Addison Mines Limited dated March 22, 1966 who manage your Company's mining operation at Burchell Lake, Ontario, and the report of Mr. G. H. Montgomery, Mine Manager, dated February 4, 1966 on the operations of the mine during the year 1965.

Operating profits for the year 1965 before depreciation and other amounts written off amounted to \$2,068,301 as compared with \$1,653,085 the previous year. The improvement was due to an increase in the value of metals recovered and a decrease in costs of production. Net profit for the year after write offs amounted to \$384,141 as compared with \$120,048 the previous year.

You will note that Kerr Addison anticipates that production at your Company's mine can be maintained at a rate of about 1,000 tons per day this year and at a decreasing rate until the second quarter of 1967 when ore will be exhausted.

Your Directors appreciate the efforts and co-operation of Kerr Addison Mines Limited and Mr. G. H. Montgomery and his staff in operating the Company's mine.

On February 2, 1966 Supplementary Letters Patent were issued to your Company increasing its authorized capital by the creation of an additional 2,000,000 shares without par value and the Company purchased 2,000,000 shares of Consolidated Mogul Mines Limited for the aggregate consideration of \$7,000,000. Please refer to the note to the financial statement accompanying this report for the details of this purchase.

On behalf of the Board,

G. D. PATTISON,
President.

Toronto, Ontario,
May 17, 1966.

North Coldstream Mines Limited

March 22, 1966.

Mr. G. D. Pattison, President,
North Coldstream Mines Limited,
509 - 25 Adelaide Street West,
Toronto 1, Ontario.

Dear Mr. Pattison:

Kerr Addison Mines Limited as Managers of the North Coldstream Mine, Burchell Lake, Ontario, submits the following report for the year ended December 31, 1965.

Gross value of metal produced before smelting, refining and marketing charges was \$4,934,909 from the milling of 365,082 tons of ore. The value of metal recovered was \$13.52 per ton.

The daily milling rate decreased slightly to 1,000 tons from 1,003 tons in the previous year. The grade of ore milled was 1.86% copper, as compared to 2.06% copper, while recovery decreased slightly to 95.27 per cent from 95.64 per cent.

Proven ore reserves at December 31, 1965 were 349,000 tons grading 2.13% copper. After milling 365,082 tons this showed a decrease of 309,000 tons from the previous year when reserves were 658,000 tons grading 2.16% copper.

Development work underground was restricted to that required for the extraction of known ore bodies. Mining of these ore bodies should be completed in 1966. It is anticipated that production can be maintained at about 1,000 tons per day this year and at a decreasing rate until the second quarter of 1967 when the ore will be exhausted.

Surface exploration work in the general area was continued. Nothing of interest was discovered. Diamond drilling of several electromagnetic conductors is planned for 1966.

The report of the Mine Manager, Mr. G. H. Montgomery, covering operations at North Coldstream Mines Limited for the year ended December 31, 1965 is enclosed.

KERR ADDISON MINES LIMITED,

J. H. STOVEL,
Executive Vice-President.

North Coldstream Mines Limited

Manager's Report

Mr. J. H. Stovel,
Executive Vice-President,
Kerr Addison Mines Limited,
TORONTO, Ontario.

Dear Sirs:

The report of the operation of North Coldstream Mines Limited for the year ended December 31, 1965 is submitted herewith.

PRODUCTION:

SUMMARY OF PRODUCTION

	1965	1964
Total Tonnage Milled	365,082	366,950
Average Daily Tonnage	1,000	1,003
Average Grade	1.86% Cu	2.06% Cu
Copper Recovery	95.27%	95.64%
Percentage Operating Time	96.61%	93.59%
Concentrate Grade		
Copper	26.44%	27.50%
Gold	0.125 oz./ton	0.136 oz./ton
Silver	2.31 oz./ton	2.29 oz./ton
Concentrate Shipped	24,605.93 tons	25,824.14 tons
Content of Concentrate Shipped		
Copper	13,014,279 lbs.	14,211,784 lbs.
Gold	3,104.90 oz.	3,559.50 oz.
Silver	56,738 oz.	58,435 oz.

The average daily tonnage milled decreased slightly in spite of an increase in the operating time of the concentrator. This reduction is primarily due to the hard, lower-grade mill feed which was prevalent during the year and which is more difficult to grind.

DEVELOPMENT AND MINING:

Development and Stope Preparation of the remaining orebodies and pillars were essentially completed during 1965.

Ore broken by development, stope preparation, and stoping totalled 339,390 tons and 366,070 tons of ore were trammed.

Dilution by low grade wall rock caving into open stope areas has caused lower than ore reserve grade mill heads. As all mining has been by open stope methods it is expected that this condition will continue for the life of the mine. Nevertheless it is expected that the total weight of copper produced will exceed the amount shown in the ore reserves due to the low copper values in this wall rock.

SUMMARY OF DEVELOPMENT AND EXPLORATION DURING 1965

Levels	ADVANCE IN FEET					Slashing in Cu. Ft.
	Drifts & X-Cuts	Raises	Box Holes	Sub Drifts	Diamond Drilling	Develop. Slashing
200	6	191	—	35	—	240
350	42	—	—	—	—	—
500	—	80	180	338	—	17,790
650	62	—	—	—	519	500
800	10	359	—	201	486	1,520
950	10	289	106	300	—	12,870
1100	75	303	62	202	205	10,700
1250	—	268	251	255	169	33,250
1400	—	57	—	3	—	600
TOTALS	205	1,547	599	1,331	1,379	77,470
TOTALS IN 1964	1,663	1,937	753	1,175	10,129	44,250
TOTALS 1957-65	21,563	18,841	8,884	9,534	144,377	610,405

EXPLORATION:

There was no underground exploration during 1965 as a very complete exploration program was completed with negative results in 1964.

The surface program in the local area consisting of property examinations, scouting and geophysical reconnaissance was continued. Five properties brought to our attention by local prospectors were also examined, but none warranted more than a preliminary examination.

Several conductors which were outlined by geophysical surveys in 1964 were further investigated by diamond drilling and were found to result from pyrite and pyrrhotite mineralized together with banded graphite. Several additional electro-magnetic anomalies were outlined during 1965 and diamond drilling of these zones will be carried out early in 1966.

Geophysical surveys were also carried out on the original patented claims in the mine area. No significant new information was obtained.

In all of this work 72.2 line miles of geophysical surveying was completed.

ORE RESERVES:

Ore reserves at December 31, 1965 after allowing for dilution, were estimated to be 349,000 tons with an average grade of 2.13% copper.

	Tons	% Cu	Tons	% Cu
Surface to 800-foot level	—	—	156,460	2.19
800 to 950-foot level	83,710	2.31	—	—
950 to 1100-foot level	76,510	1.86	—	—
1100 to 1250-foot level	32,320	2.06	—	—
1250 to 1400-foot level	—	—	—	—
800 to 1400-foot level	—	—	192,540	2.09
Total Reserve at December 31, 1965	—	—	349,000	2.13
Total Reserve at December 31, 1964	—	—	658,000	2.16

The reserve at December 31, 1965, includes 74,460 tons of broken ore having an average grade of 2.21% copper.

GENERAL:

There were no major additions to plant and equipment.

Labour conditions were generally stable although turnover again increased slightly and shortages of skilled tradesmen occurred from time to time. The total force at December 31, 1965 was 162.

I wish to commend and thank the Department Heads, Staff and all employees for their very high calibre of effort and co-operation during 1965. I also wish to thank the Executive Officers and Directors for their continuing confidence and support.

Respectfully submitted,

Burchell Lake, Ontario,
February 4, 1966.

G. H. MONTGOMERY,
Manager.

North Coldstream

(Incorporated under the laws of the Province of Ontario)

Balance Sheet

(with comparative figures for 1964)

ASSETS

	1965	1964
Current:		
Cash and short-term notes	\$1,793,783	\$ 192,286
Marketable securities — at cost (approximate market value \$1,394,120)	1,390,100	990,100
Metal settlements outstanding at estimated realizable value	1,409,121	1,461,321
Accounts receivable	25,452	18,492
	<u>4,618,456</u>	<u>2,662,199</u>
Deferred:		
Stores and supplies — at cost	312,021	328,512
	<u>312,021</u>	<u>328,512</u>
Fixed:		
Plant, buildings and equipment — at cost	4,354,779	4,354,640
Less accumulated depreciation	3,679,986	3,027,722
	<u>674,793</u>	<u>1,326,918</u>
Mining properties — at cost less amounts written off	237,711	409,056
	<u>912,504</u>	<u>1,735,974</u>
Other:		
Preproduction and development expenses less amounts written off	818,912	1,588,387
Power line and other hydro deposits	68,155	80,528
	<u>887,067</u>	<u>1,668,915</u>
	<u>\$6,730,048</u>	<u>\$6,395,600</u>

AUDITOR'S REPORT

To the Shareholders of
North Coldstream Mines Limited:

We have examined the balance sheet of North Coldstream Mines Limited as at December 31, 1965 and the statement of operations and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,
March 1, 1966.

Mines Limited

laws of Ontario)

December 31, 1965

December 31, 1964)

LIABILITIES

	1965	1964
Current:		
Accounts payable and accrued charges	\$ 142,396	\$ 178,089
Mining tax payable	80,000	52,000
Current portion of amount payable for mining rights	132,000	132,000
	<u>354,396</u>	<u>362,089</u>
Deferred:		
Payable to The Shield Development Company Limited for mining rights (less current portion included above)	<u>107,000</u>	<u>149,000</u>
Capital:		
Authorized — 5,000,000 shares of no par value		
Issued and fully paid — 4,438,696 shares	6,454,349	6,454,349
Deficit	185,697	569,838
	<u>6,268,652</u>	<u>5,884,511</u>
 On behalf of the Board:		
 G. D. PATTISON, Director.		
 R. D. BELL, Director.		
	<u>\$6,730,048</u>	<u>\$6,395,600</u>

(See accompanying note to financial statements)

PORT

In our opinion the accompanying balance sheet and statement of operations and deficit present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.,
Chartered Accountants.

North Coldstream Mines Limited

Statement of Operations and Deficit

YEAR ENDED DECEMBER 31, 1965

(with comparative figures for the year ended December 31, 1964)

	1965	1964
Revenue:		
From production	\$4,934,909	\$4,718,549
Interest and sundry	97,686	19,125
	<u>5,032,595</u>	<u>4,737,674</u>
Expense:		
Cost of metal production including mining, milling and marketing charges	2,795,116	2,950,066
Administrative and general (including directors' fees of \$2,600)	68,463	64,596
Debenture and loan interest		1,075
Outside exploration	20,945	17,352
Mining tax	79,770	51,500
	<u>2,964,294</u>	<u>3,084,589</u>
Profit before depreciation and other amounts written off	2,068,301	1,653,085
Depreciation on plant, buildings and equipment	653,341	653,141
Preproduction and development expenses written off	769,474	769,474
Amount written off mining properties	261,345	110,422
	<u>1,684,160</u>	<u>1,533,037</u>
Net profit for the year (note)	384,141	120,048
Balance of deficit at the beginning of the year	569,838	689,886
Balance of deficit at the end of the year	<u>\$ 185,697</u>	<u>\$ 569,838</u>

NOTE: No income taxes appear to be payable on the profit for the year because of the deduction for income tax purposes of depreciation, preproduction and development expenses charged against income in prior years.

NOTE TO FINANCIAL STATEMENTS

On February 2, 1966 the company purchased 2,000,000 shares of Consolidated Mogul Mines Limited at an aggregate consideration of \$7,000,000 payable as follows:

- (i) \$3,000,000 in cash;
- (ii) \$1,000,000 by the issuance of 1,000,000 shares of North Coldstream Mines Limited as fully paid and non-assessable;
- (iii) \$1,400,000 by the issuance of a 6% promissory note due nine months after the closing date or on such earlier date as North Coldstream may specify;
- (iv) \$1,600,000 by the issuance of a 6% promissory note payable in ten monthly principal payments plus accrued interest, commencing ten months after the closing date.

Supplementary letters patent were issued on February 2, 1966 increasing the authorized capital by the creation of an additional 2,000,000 shares without par value.

